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RUCPDO/DEPT OF COMMERCE WASHDC PRIORITY  
RUEATRS/DEPT OF TREASURY WASHDC PRIORITY  
RHEBAAA/DEPT OF ENERGY WASHDC PRIORITY

C O N F I D E N T I A L SECTION 01 OF 03 BRATISLAVA 000308

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E.O. 12958: DECL: 05/21/2017  
TAGS: [ENRG](#) [ECON](#) [EPET](#) [PREL](#) [PGOV](#) [LO](#) [RU](#)  
SUBJECT: SLOVAKIA PURSUING A TRANSPETROL DEAL WITH RUSSIA

REF: A. BRATISLAVA 269

[1](#)B. BRATISLAVA 183

Classified By: Ambassador Rodolphe M. Vallee for reasons 1.4 b) and d)

[1](#)1. (C) Summary - Minister Jahnatek followed up the May 4 Putin/Fico meeting (Ref A) with detailed discussions with Russian-controlled Yukos Finance (YF) and Gazpromneft on the eventual sale of the 49 percent stake plus management control in the Slovak oil pipeline Transpetrol. In return for agreeing to a sale to Gazpromneft and relinquishing the objective of a GOS buy-back of the pipeline, Jahnatek has reportedly received a Russian commitment to meet the four GOS conditions for a sale, which include allowing access for Caspian crude, and a two-year extension of the GOS veto authority that expired in April. Due to the legal dispute between the two Netherlands-based Yukos subsidiaries over the ownership of the Transpetrol shares, however, Jahnatek and his Russian counterparts still cannot complete a deal without the cooperation of Yukos International (YI). YI is not willing to begin multiparty discussions until it receives an independent valuation of the pipeline, which will not be ready until early July. In the meantime, YI hopes that an expected May 24 Dutch court decision will bolster their case for completing a sale on their own, although Jahnatek still believes Slovakia could influence any deal proposed by Yukos International. Third parties interested in the Transpetrol stake need to engage directly with YI. End Summary.

JAHNATEK: DISCUSSIONS STILL IN THE EARLY STAGES  
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[1](#)2. (C) Ambassador met May 16 with Economy Minister Lubomir Jahnatek to get a readout on PM Fico's May 4 visit to Moscow and his recent discussions over the sale of the 49 percent stake (plus management control) in the Transpetrol pipeline. Jahnatek claimed that there were no detailed talks on this issue between Fico and Putin, and that Russian press reports alleging that the two leaders had agreed on the broad outlines of a deal for a sale of the pipeline to Gazpromneft were inaccurate. He was adamant that the four Slovak conditions for any sale were still valid. These include the GOS regaining management control of the pipeline and commitments by the buyer to increase the amount of crude flowing through the pipeline, an upgrade so that the pipeline could carry both light and heavy crude, and extension to the Schwechat refinery in Austria.

[1](#)3. (C) Jahnatek said that the discussions to date, both in Moscow and the following week in Bratislava, had focused on extending the GOS veto authority over any deal by two years to April, 2009. (Note: the GOS' veto authority expired April 27, 2007. End note) YF Director Sergei Shmelkov agreed to an

extension, and Jahnatek stated that the GOS would now seek approval for the extension from YI, whose representatives he had last met with in late March, as outlined in Ref B. YF is now willing to join three-way talks with YI and the GOS, but Jahnatek noted that Shmelkov still needed to get approval from Yukos Oil Receiver Eduard Rebgun before the proposed meeting, which would take place in neutral territory in London. Jahnatek told us that he had still not met with Yukos Oil Receiver Eduard Rebgun, and was not sure when the actual negotiations on a sale of the pipeline would commence, stating that "Rebgun has been busy selling other Yukos assets, and we don't know when he will turn his attention to Transpetrol."

REALITY: GOS PUSHING FOR A DEAL BY THE END OF JUNE  
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4.(C) By all other accounts, the GOS is much further along in its planning and negotiations with Russia on a deal to allow for a sale of the Transpetrol stake to Gazpromneft than Jahnatek or other GOS officials have acknowledged, either publicly or privately. Minister Jahnatek reportedly traveled to Moscow on May 3, a day before PM Fico arrived, and met with GOR officials, including Russian Minister for Economic Development Narishkin and representatives from Gazpromneft and YF. Officials from both YF and Gazpromneft met again on May 10 in Bratislava for follow-on discussions. Ministry of Economy Energy Analyst and long-time Embassy contact Karel Hirman (please protect) told us that Putin and Fico had reached a political agreement on a sale to Gazpromneft, and that Jahnatek is now left to work out the details.

15. (C) In a May 17 meeting with YI representative and Transpetrol Board Member Jan Kridla, Jahnatek confirmed that

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the government was no longer considering a Slovak buyback as a viable option and was now working on completing a sale to Gazpromneft. Jahnatek noted that he would like to complete the transaction by the end of June, but he recognized that it may not be possible given the legal complications in the Netherlands. He proposed a meeting with all four interested parties - YI, YF, Gazpromneft and the GOS - to work out the details of the sale. To ensure a continued GOS role in the process, Jahnatek said he has already received approval from the three relevant Russian parties for a two year veto extension. Jahnatek asked YI to follow suit and grant an extension. Jahnatek noted that he is continuing his discussions with his Russian counterparts, and he expected a visit by the head of Gazpromneft to Slovakia in the coming weeks. The purpose is to both discuss the future of Transpetrol and continue negotiations with the Slovak Gas Company (SPP) on future gas contracts.

YUKOS INTERNATIONAL REMAINS KEY TO ANY DEAL  
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16. (C) Kridla stated that YI remains interested in selling its stake in Transpetrol to any buyer as long as it receives a fair price and the proceeds from any sale go to the Dutch bailiff. Before continuing with negotiations, however, YI must receive an independent valuation of Transpetrol to provide to the New York Bankruptcy Court as proof that they are receiving a fair price for the asset. YI had originally contracted KPMG to carry out the valuation, but after more than two months of discussions KPMG said it would not be able to complete the project. According to Kridla, KPMG's Moscow office was under significant pressure from GOR officials to not complete the project for the Dutch Yukos subsidiary. When told of this delay, Jahnatek stated that he "can understand why KPMG was not able to complete the work." YI has found another unnamed company to carry out the valuation, but does not expect it to be completed until the first week of July at the earliest.

17. (C) YI is also waiting for the next decision from the

Dutch Court, which was originally scheduled for April 26, but it has been twice delayed and is now expected to be released on Thursday, May 24. This follows a February 1 Dutch court decision that rebuffed Rebgun's attempts to gain control of YI and strengthened YI's legal case for purchasing the shares of YF and thus gaining full control over the 49 percent Transpetrol stake. In a May 21 meeting with Econoff, Kridla appeared confident that the decision would go in YI's favor and could provide an opportunity for them to pursue a sale on their own, especially now that the GOS no longer has veto rights over any deal. (Note: Jahnatek continues to believe that the GOS could still influence any sale through its seats on the Transpetrol Board.) Kridla noted, however, that YI had not yet decided what course of action it would pursue.

18. (C) Kridla informed Jahnatek that all other issues related to the deal will be dealt with at the proposed four-party talks in London. This includes any discussion of price, the Slovak veto extension or the outstanding criminal cases against YI's Directors (Godfrey, Misamore and Theede). The one variable that could affect this timetable is if any party calls for the annual shareholders meeting, which is supposed to take place before the end of June. YI would like to put off such a meeting for as long as possible due to the concern that Rebgun would use the occasion to push replace Kridla and the other two Yukos-appointed (and YI friendly) board members with his own nominees, which he unsuccessfully tried to do last fall. Kridla noted that YI lawyers were looking for legal mechanisms to delay the annual shareholders meeting for as long as possible. Jahnatek had previously agreed to a delay, though it is not clear if this issue has been a part of his current negotiations with YF and Russian government officials.

COMMENT

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19. (C) Under pressure from Moscow, the GOS has relinquished its objective of buying back the Transpetrol stake and is instead moving forward with plan B, a sale to Gazpromneft with conditions that Jahnatek believes will give the Slovak government a greater say in the management of the pipeline. Although Jahnatek may get a paper commitment from Moscow on his four conditions, it is hard to imagine Gazpromneft allowing real diversity of supply through third-party access to the pipeline for the transport of Caspian crude. A GOS-approved sale of the pipeline to a non-Russian company

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has gone from unlikely to very unlikely under the current legal circumstances. However, the May 24 court decision, and possibly subsequent court decisions, could change dramatically the GOS' negotiating position, playing a decisive role in the eventual outcome of this case. Third parties in the Czech Republic, Hungary, Poland and Ukraine need to engage directly with YI if they remain interested in the 49 percent pipeline stake. End Comment.

VALLEE